

Message Text

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SUBJECT: WOOL HANDLING DISPUTE CAUSES INTERNATIONAL CONCERN

1. SUMMARY: WOOL INDUSTRY LABOR DISPUTE DURING PAST SIX WEEKS HAS PREVENTED MOVEMENT OF APPROXIMATELY 1.35 MILLION BALES OF WOOL VALUED AT ABOUT \$A285 MILLION INTO EXPORT CHANNELS. DISPUTE HAS MAJOR IMPLICATIONS FOR GOA WAGE INDEXATION POLICY, AS CLAIMS FOR INCREASED WAGES AND SHORTER WORKING WEEK CONTRAVENE GUIDELINES DEVELOPED BY GOA TO REDUCE INFLATION. ALTHOUGH FOR INDIVIDUAL GROWERS DELAY IN WOOL PAYMENTS SERIOUS, OVERALL ECONOMY NOT GREATLY AFFECTED. IF STRIKE CONTINUES, IT COULD HAVE SERIOUS EFFECT ON BALANCE OF PAYMENTS. SHORTAGE OF WOOL IN MAJOR USING COUNTRIES, PARTICULARLY JAPAN, COULD LEAD TO LOSS OF MARKETS DUE TO SWITCH TO SYNTHETICS.

2. THE AUSTRALIAN STOREMEN AND PACKERS' UNION, WHICH COVERS MOST OF THE LABOR EMPLOYED IN WOOLBROKERS' STORES IN AUSTRALIA, INITIATED STRIKE ACTION IN EARLY MARCH TO PURSUE A CLAIM FOR A \$A9 INCREASE IN WAGES, A 35-HOUR WEEK, LOWER
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MAXIMUM WOOL BALE WEIGHTS, AND OTHER FRINGE BENEFITS, INCLUD-

ING SMOKING BREAKS AND CUMULATIVE SICK LEAVE PROVISIONS. INITIALLY THE STRIKE WAS MAINLY IN PURSUIT OF LOWER BALE WEIGHTS, BUT SPREAD RAPIDLY TO INCLUDE WAGE DEMANDS WHICH EXCEEDED WAGE INDEXATION GUIDELINES LAID DOWN BY THE GOA IN AN EFFORT TO REDUCE THE LEVEL OF INFLATION. THIS BROUGHT THE DISPUTE IN THE POLITICAL ARENA, AS A CLAIM LODGED WITH THE ARBITRATION COURT FOR INCREASED WAGES AND LOWER WORKING HOURS CLEARLY CONTRAVENED THE WAGE INDEXATION GUIDELINES.

3. AS A RESULT OF THE DISPUTE THE AUSTRALIAN WOOL CORPORATION (AWC) HAD TO CANCEL WOOL AUCTIONS FROM THE BEGINNING OF MARCH, AND ABOUT 500,000 BALES WHICH WOULD NORMALLY HAVE BEEN SOLD DURING THE MARCH 1/APRIL 14 PERIOD COULD NOT BE AUCTIONED AND REMAIN IN BROKERS' STORES. IN ADDITION, CLOSE TO 850,000 BALES SOLD BEFORE THE STRIKE BUT NOT YET SHIPPED REMAIN TIED UP IN BROKERS' STORES. THE STRIKE MOVE PROGRESSED FROM STORE TO STORE QUICKLY, AND FINALLY REMAINING EMPLOYEES WERE STOOD DOWN BY BROKERS. THE AWC OWNS IN EXCESS OF 1 MILLION BALES OF WOOL IT HAD DIVERTED FROM THE MARKET EARLIER THIS SEASON, AND AS THE STOREMEN AND PACKERS' UNION HAS NO DISPUTE WITH THE AWC THIS COULD POSSIBLY BE MOVED WITH THE CONTRACT LABOR NORMALLY USED IN AWC STORES. HOWEVER, THERE IS SOME RELUCTANCE ON THE PART OF THE GOA AND THE AWC TO TAKE THIS STEP, AS IT WOULD LEAVE THE BROKERS COMPLETELY EXPOSED. IN ADDITION, IF THE AWC STARTS MOVING WOOL UNDER OVER-AWARD CONDITIONS OR BY LABOR BELONGING TO A DIFFERENT UNION WITH A MORE GENEROUS AWARD THE GOVERNMENT WAGE INDEXATION POLICY WILL BE IN JEOPARDY. CONSEQUENTLY THE SITUATION IS STALEMATED AT PRESENT, ALTHOUGH A CONFERENCE APRIL 14 BETWEEN PRIME MINISTER FRASER AND ACTU PRESIDENT HAWKE MAY LEAD TO SOME SOLUTION.

4. THE DISPUTE IS CAUSING GRAVE CONCERN FROM AN ECONOMIC STANDPOINT, AS THE 1.35 MILLION BALES NOW TIED UP REPRESENT A VALUE OF ABOUT \$Q285 MILLION. NOT ONLY ARE THESE FUNDS NOT FLOWING TO WOOLGROWERS, BUT BYERS OF THE 800,000 BALES SOLD HAVE PAID OUT ABOUT \$A150 MILLION TO BROKERS, AND HAVE TO MEET INTEREST CHARGES, FORWARD COVER FOR EXCHANGE, ETC. THOSE THAT HAVE PAID BY POUND STERLING LETTERS OF CREDIT LIMITED OFFICIAL USE

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ARE ALSO BEARING THE COST OF THE FALLING VALUE OF STERLING CURRENCY. FOR GROWERS THE POSITION IS MOST SERIOUS IN THE PASTORAL ZONE, AS PRODUCERS IN MIXED FARMING AREAS ARE FAIRLY LIQUID. IN SOME CENTERS IT HAS BEEN POSSIBLE TO PAY OUT A PROPORTION OF THE MONEY RECEIVED FOR WOOL, BUT IN SOME INSTANCES THE GROWER POSITION IS DESPERATE. THE OVERALL AGRICULTURAL ECONOMY IS NOT YET SERIOUSLY AFFECTED, BUT IF THE DISPUTE CONTINUES IT COULD HAVE A SIGNIFICANT

EFFECT ON THE AUSTRALIAN BALANCE OF PAYMENTS.

5. APART FROM THE IMPLICATIONS FOR THE GENERAL ECONOMIC AND ANTI-INFLATIONARY POLICIES OF THE GOA, THE STRIKE IS LIKELY TO CAUSE SERIOUS DISRUPTION TO THE AWC WOOL MARKETING PROGRAMS. LARGEST REPORTS INDICATE A NUMBER OF JAPANESE SPINNERS WILL RUN OUT OF WOOL SHORTLY AFTER EASTER, AND EVEN IF THE STRIKE IS SETTLED SOON IT WILL TAKE SOME WEEKS TO MOVE SUPPLIES TO THAT COUNTRY. IF NOT, IT IS FEARED SPINNERS WILL SWITCH SYNTHETICS TO KEEP MILLS OPERATING AND MAY BE RELUCTANT TO COME BACK TO WOOL BECAUSE OF CONTINUOUS DISRUPTIONS IN THE SUPPLY PIPELINE. THE SITUATION IN EUROPE IS NOT SO SERIOUS, AS THE AWC HAD ABOUT 280,000 BALES OF WOOL STORED IN EUROPE FROM WHICH IT COULD MEET IMMEDIATE REQUIREMENTS. HOWEVER, EVEN HERE THE POSITION COULD BECOME SERIOUS IF THE STRIKE CONTINUES FOR ANY LENGTH OF TIME.

6. THE AWC HAS TENTATIVELY SCHEDULED WOOL AUCTIONS FOR THE WEEK BEGINNING MAY 3 IN THE HOPE THAT THE DISPUTE WILL THEN BE SETTLED. AT PRESENT NO ONE IN GOVERNMENT OR THE INDUSTRY IS PREPARED TO MAKE A GUESS WHAT THE OUTCOME WILL BE. BUT THERE IS LITTLE DOUBT THAT THE CURRENT SITUATION WILL LEAD TO INCREASED MOVEMENT OF RESERVE STOCKS TO OVERSEAS COUNTRIES BY THE AWC. IT IS ALSO LIKELY TO LEAD TO STRONG PRESSURES FOR ACTION ON CHANGED OR NEW MARKETING ARRANGEMENTS FOR WOOL, WHICH HAVE BEEN THE SUBJECT OF DISCUSSION FOR SOME YEARS NOW.
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